

Message Text

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C O N F I D E N T I A L ATHENS 5368

LIMDIS

E.O. 11652: GDS

TAGS: ECON PFOR GR TU

SUBJ: GOVERNOR ZOLOTAS ON TURKEY/GREECE AID BILL

AND ON GREEK ECONOMY

1. BANK OF GREECE GOVERNOR ZOLOTAS MET WITH AMBASSADOR JULY 16, WITH ECONOMIC COUNSELOR ALSO PRESENT, TO DISCUSS THE TURKEY/GREECE AID BILL, THE GREEK ECONOMY AND RELATED MATTERS.

2. ZOLOTAS FIRST EXPRESSED HIS CAUTIOUS OPTIMISM AT RECENT ECONOMIC DEVELOPMENTS IN GREECE, INCLUDING DAMPENING OF PRICE PRESSURE, INCREASE IN DEPOSITS, AND RISE IN INDUSTRIAL PRODUCTION. HE DID NOT FEEL THAT THE RECENT SPATE OF WAGE DEMANDS WOULD GET OUT OF HAND OR LEAD TO SOCIAL UNREST; HE STATED THAT HE HAD PRESENTED PRIME MINISTER CARAMANLIS WITH DRAFT LEGISLATION FOR ESTABLISHMENT OF A NEW INDEPENDENT AGENCY, SIMILAR TO THE NATIONAL STATISTICAL SERVICE, WHICH WOULD DEVELOP OBJECTIVE DATA ON SPECIFIC WAGE REQUESTS, AS WELL AS ARBITRATION MECHANISM FOR RESOLVING LABOR DISPUTES. WITH RESPECT TO THE BALANCE OF PAYMENTS, ZOLOTAS NOTED THAT HIGH BANK OF GREECE FOREIGN BORROWING WAS ENABLING GREECE TO ROUGHLY MAINTAIN ITS FOREIGN EXCHANGE RESERVES. HOWEVER, HE EXPRESSED CONCERN AT WHAT HE TERMED THREE "STRUCTURAL" CHANGES IN GREECE'S
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BALANCE OF PAYMENTS PICTURE WHICH REQUIRED A LONG-TERM

FINANCIAL SOLUTION: (A) THE OIL PRICE SITUATION, (B) ARMAMENT PURCHASES, AND (C) THE RISING FOREIGN DEBT SERVICE BURDEN. FOR THIS REASON, HE SAID, GREECE COULD CERTAINLY USE NEW US MILITARY/ECONOMIC ASSISTANCE AS MENTIONED IN BILL CURRENTLY UNDER CONSIDERATION IN CONGRESS.

3. ZOLOTAS EMPHASIZED THAT THE THREAT FROM TURKEY CONSTITUTED THE PRIMARY DANGER TO THE GREEK ECONOMY, EXERTING A DEMPENING EFFECT ON PRIVATE INVESTMENT AS WELL AS NECESSITATING HIGH DOMESTIC AND FOREIGN EXCHANGE EXPENDITURES FOR DEFENSE. WHY, HE MUSED, DID TURKISH LEADERS HAVE TO MAKE STATEMENTS REFERRING TO OTTOMAN EMPIRE AND TO RESIDENTS OF ISLANDS AS "CHRISTIANIZED TURKS?" MOST GREEKS, HE STATED, CONTINUE TO WORRY ABOUT TURKISH "EXPANSIONISM." TURKEY MUST REALIZE, HE CONTINUED, IN A TONE WHICH WAS SAD RATHER THAN BELLIGERENT, THAT GREEKS WOULD FIGHT TO THE END TO DEFEND THEIR TERRITORY. AMBASSADOR SAID HE THOUGHT THIS POINT HAD BEEN FULLY REGISTERED WITH THE TURKS.

4. AGAINST THIS BACKGROUND, ZOLOTAS FELT THAT THE RESUMPTION OF US MILITARY AID TO TURKEY, AS A POTENTIAL AGGRESSOR AGAINST GREECE, WOULD NOT BE UNDERSTOOD BY GREEK PUBLIC OPINION AND COULD WELL PROVOKE A NEW STRONG WAVE OF ANTI-AMERICAN FEELING IN GREECE. EVEN SO, HE THOUGHT NEW ECONOMIC/MILITARY ASSISTANCE BEING ENVISAGED FOR GREECE IN PROPOSED LEGISLATION WAS VERY MUCH IN GREECE'S INTEREST AND IN TIME--IF TURKEY REFRAINED FROM PROVOCATIONS--WOULD CONTRIBUTE POSITIVELY TO US-GREEK RELATIONS. KUBISCH

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